

Speech: Alaska Export Council Luncheon
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Reducing Future Energy Costs: One Key to A Vibrant Export Future for Alaska
By Sen. Lisa Murkowski, R-Alaska

It is truly a pleasure to be speaking to the members of the Alaska Export Council this year for a host of reasons.

First, it is pleasure to be in a room with a bunch of positive, can-do folks.

Second, it is always good for an elected office holder to speak to a group when they are happy, and after your performance in 2006, most everyone in this room should be very happy.

2006 was a record year for you and Alaska. It was the year when the value of Alaska's exports grew more than 12% and topped the \$4 billion mark for the first time. It was the year that for the first time Alaskans sold more than \$2 billion of our seafood overseas, making good progress in Korea and expanding sales into the Chinese and German markets in a big way – with 34% and nearly 25% sales increases respectively.

The value of Alaska's mineral exports more than doubled last year, Alaska selling \$1.1 billion of our gold, silver, copper, zinc and lead overseas – precious metal sales (mostly of gold) rising 30%. If you ignore our timber industry which is in the doldrums and our fertilizer industry that suffered from a lack of raw materials – natural gas -- the export statistics last year were dazzling. You all know all of that.

Third, it is a pleasure to speak to you since Alaska's present economy is being fueled by many of you in this room. The businesses you run employ more than 23,000 Alaskans – more than 60% of everyone who produces goods in this state.

And Alaska's future economy truly is in your hands.

As a State with unique advantages to sell our resources and goods in the Pacific Rim, and as a State with the unique advantage of being nearly equidistant between Europe and Asia by air, Alaska's economy in the 21st Century is likely to be even more dependent upon the expansion of our exports.

But as is often the case there is a dark cloud on the horizon, spoiling what otherwise would be a sunny outlook for Alaska's export potential. That dark cloud is the always high and now escalating cost of energy.

If you are a seafood processor the cost of electricity to keep your fish frozen is becoming a key issue in your profitability. If you are contemplating opening a mine, say the giant Pebble copper mine in Southwest Alaska, the price of generating the 300 megawatts of power that you'll need to mine and process your ore is a significant factor in determining whether or not to attempt to battle the environmental forces that will want to keep your mine on the drawing boards -- forever.

If you are the fertilizer producer Agrium, or LNG plant operator Conoco-Phillips/Marathon, deciding whether you can buy or find enough natural gas to keep your businesses afloat, energy supplies and costs are the key questions facing you. If you are a would-be water bottling plant in Southeast, an aluminum smelter looking to relocate or a would be high-tech information technology giant, the cost of energy in the future is the leading issue facing your choice of global location in the coming decades.

Just recently the President of Iceland visited me in Washington and told me that in the past year, Microsoft, Sysco Systems and Google all have expressed interest in moving their computer operations to Iceland because that country is now almost solely powered by clean, renewable and increasingly, relatively inexpensive geothermal energy.

When I came to the Senate in 2002 I thought the biggest thing I could do to further Alaska's economic development was to improve the state's transportation infrastructure and to reduce our energy costs to make Alaska businesses more competitive. Four years later I am even more convinced that the biggest gift I can give my children and my grandchildren who want to remain in this State is to pioneer an era where Alaska businesses are not forced to compete with foreign firms with one hand tied behind their backs, tied with the bonds of some of the world's highest energy costs.

That is the ultimate irony in the state which holds a world leading amount of coal -- 60% of America's inferred coal reserves; in a state that holds on and offshore up to 260 trillion cubic feet of conventional natural gas, more than twice what the rest of the nation may hold; in a state that

holds up to 60 billion barrels of oil – three times the total of the nation’s proven remaining reserves of oil; and in a state that holds up to 32,000 trillion cubic feet of gas hydrates, enough gas hydrates to power the nation for a thousand years – if we can find a way to make recovery economically and environmentally feasible.

If you are a would-be fish processor at Togiak paying \$5.38 a gallon for fuel to run an electric generator, a would be miner paying 47 cents per kilowatt hour for electricity at Teller, or a would-be coal miner contemplating exporting Alaska’s huge Northwest coal reserves from Kivalina where gasoline is costing at least \$4.95 a gallon, sky-high energy prices are the biggest single obstacle to being successful in exporting Alaska’s resources at competitive prices.

The solution is fairly simple. We as a nation must craft a balanced solution to our energy needs. That solution must involve getting serious about conserving energy, both to cut our costs plus to reduce our emissions of carbon, which may be contributing to climate change. We must increase the efficiency of our appliances, cut the energy we use to heat and cool our homes and offices and drastically improve the mileage we get from our vehicles.

We need to push development of renewable and alternative energy, gaining power from wind, geothermal, small hydro, ocean energy – tapping the power of waves -- biomass and even solar energy among the renewables now ready for development. Among alternatives we need to construct the next generation of nuclear power plants, press development of hydrogen-powered vehicles, and build more hybrid and “plug-in” electric cars.

And we need to produce more domestic conventional energy. That involves building an Alaska natural gas pipeline to get our gas to market. It involves finding and producing the nearly 15 billion barrels of oil believed to lie in the National Petroleum Reserve Alaska, and getting Congress and the American people to let us develop the 16 billion barrels of oil believed to lie in the Arctic coastal plain of ANWR. It involves carefully and environmentally developing our offshore oil deposits, both in Alaska, and in many parts of the Lower 48. And it involves pushing technology to wring oil from the oil shale of the Rockies, from the tar sands in Canada, and from our huge “heavy” oil deposits at Prudhoe Bay.

When I return to Washington next week, I believe the Delegation will likely be taking the first new steps to determine how much oil there is in ANWR. I will wait to talk about this except to say that for 27 years we and the environmental community have been fighting over 1.5 million acres of land without knowing what we are fighting about. I hope to get all sides to at least agree it is time to know for certain how much oil we are fighting over and what that oil might mean for America and for Alaska and its Native peoples. That is especially the case since we can determine how much oil is there without ANY environmental damage, without disturbing a single Porcupine caribou, and without affecting a single migratory bird. That knowledge might well make it easier to craft a final determination of the future of the coastal plain.

In the weeks ahead we will also be working to get a gas pipeline project underway. While Alaska natural gas hopefully won't be available for export – since we need every b-c-f of gas that we can coax from the North Slope in the Lower 48 – getting a gas line project is vital for the basic state economy. If we miss this opportunity to market our gas the Alaska state treasury will soon

be so depleted, and the state won't be able to afford to provide the services your businesses need to produce goods for export. Worse, the state will have to raise taxes on firms, where your products may no longer be competitive in the international marketplace.

I deeply hope that the Governor's new Alaska Gas Inducement Act services as a catalyst to reengage the gas producers to move forward with a gas line. At the federal level we have already provided an \$18 billion loan guarantee, several other financial incentives and an expedited permitting process to encourage the line to proceed.

Just last week we held a hearing on a technical corrections bill to make a few changes so that the Office of Gas Pipeline Coordinator, the federal overseer for a line, can work more effectively.

Also when I return to Washington, I know for certain that I will be pressing ahead on a variety of fronts to get more carbon-free renewable energy projects moving. Earlier this month the Energy Committee approved an amendment of mine and Sen. Stevens to create a Renewable Energy Construction Grant program, to provide up to 50% federal matching grants for construction of wind, geothermal, solar, biomass, landfill gas, ocean energy nationwide, and in Alaska, also small hydroelectric projects.

Right now all renewables account for just 2% of this nation's total energy production. We need to increase that at least 10-fold... quickly. If we can pass and then fund aid to offset the higher capital costs of renewable energy we can certainly reduce the cost of energy in Alaska and improve our energy security at the same time. Everyone in this room should see the wonders of geothermal energy on display at Chena Hot Springs.

I also will continue to try to gain more tax assistance and construction grants to make coal gasification, with carbon capture and storage – so we can sequester underground the carbon released when we burn coal – possible. Our only hope for a rational energy future is to continue to use coal, while expanding our use of natural gas, nuclear power and of renewables. The only way to advance coal given the concerns about carbon emissions and the effects on climate – like those we have noticed in Alaska – is to spend money to perfect ways to capture and store the carbon generated.

That effort could unleash an energy renaissance that could trigger development of Beluga and Matanuska Valley coal, not counting the new areas at Healy, which would add jobs and place Alaska's economy on a sustainable path for decades, even if we end up in a carbon-constrained world.

And more affordable energy, besides being important to reduce the cost of the products that we wish to export, could also become another of our exports in the future. Alaska has hundreds of potential sites for hydroelectric development, many in Southeast near the boundary with BC Hydro that has the transmission lines capable of delivering that power to Canada and the Lower 48 States. Energy could actually become a major product for Alaska to export in the future to an increasingly energy hungry Pacific Coast.

In the first Clinton Presidential campaign in 1992 James Carvell had a sign on his desk, “It’s the economy stupid.” For all of us that want to advance Alaska’s economy and expand our exports we need a sign to remind us that really “It’s the energy” that counts.

On the transportation front, we are entering into the third year of a guaranteed five years of increased transportation funding to Alaska – about \$425 million a year of federal funding – 30% more than previously -- made possible by the federal highway act of 2005. Transportation funding is certainly a surprisingly controversial issue. It is just a shame that more in Congress and around the country can’t see first hand our transportation infrastructure and know of the hurdles we face in moving goods and services around a state that is the size of a fifth of the Lower 48 States.

The Senate earlier this month also finally approved a new water and harbors’ bill that includes funding for a host of projects to improve water-borne transportation and ultimately to reduce the cost of exporting your products.

These are things, even in a tight federal budget year, that we are trying to accomplish in Washington to further reduce the cost of transportation to make Alaska goods more competitive on world markets.

But the real key to increasing our exports is the human resources in this room. It is through your hard work, dedication, creativity, expertise, business acumen and sheer persistence that Alaska’s

exports penetrate the global marketplace. And it is through exports that Alaska's economy will grow and we will prosper as a State in the future.

Your elected representatives in Washington and in Juneau can help, but the truth is that you are the most important natural resource we have in making Alaska's economy grow. I thank you and honor you for your efforts.

Thanks for the opportunity to speak to you today.

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